

TOWN OF LAKE PARK
RETIRED POLICE OFFICERS PENSION FUND

STATEMENT OF INVESTMENT POLICY
OBJECTIVES AND GUIDELINES

Revised: November 15, 2005
July 9, 2012

TABLE OF CONTENTS

ITEM	SECTION
Statement of Policy	❶
Purpose	
Identification of Responsibilities	
Investment Objectives	❷
Total Fund Performance	
Index Portfolios	
Actively Managed Investment Funds	
Additional Criteria for Investment Manager Review	❸
Investment Guidelines	❹
Authorized Investments	
Limitations	
Prohibited Investments	
Brokerage Direction	
Asset Allocation	❺
Target Allocation	
Rebalancing Procedure	
Communication	❻
Compliance	❼
Florida Statutes and Applicable Town Ordinances	❽
Review and Amendments	❾

I. STATEMENT OF POLICY

Purpose

The Town of Lake Park has appointed the Board of Trustees to administer the Town of Lake Park Retired Police Officers' Pension Fund (hereinafter referred to as the "Pension Fund") on behalf of the retired beneficiaries. The Trustees shall discharge their duties with respect to the Pension Fund solely in the interest of these beneficiaries, for the exclusive purpose of providing benefits and defraying the normal and reasonable expense of administration. To meet their fiduciary obligations to the beneficiaries of the plan, the Board has adopted a consistent and systematic approach to the investment of the assets of the Pension Fund. The Statement of Investment Policy provides specific guidelines for the selection and periodic review of the investment vehicles or managers chosen by the Board.

At the adoption of this Statement of Investment Policy, the Pension Fund has only the assets to meet the future obligations of the plan based on reasonable long-term assumptions. The Town of Lake Park started the Town of Lake Park Retired Police Officers' Pension Fund as a closed plan to pay the remaining obligations of the terminated Lake Park Police Pension Fund. The Board does not currently anticipate any additional funding by the Town to meet these obligations. Therefore, the Pension Fund must also appropriately manage the risks associated with investment in order to satisfy the obligations of the plan.

Because the Pension Fund has long-term obligations, the Board must allocate assets and evaluate performance over a number of years. The Pension Fund must manage risk, on the other hand, based on the need to generate immediate income from assets. The Pension Fund has a general investment objective to produce a reasonable total rate of return, defined as interest and dividend income plus realized and unrealized capital gains and/or losses, that consistently exceed the investment return assumption on an annual basis year after year. Finally, the Board must adequately control the costs of administration and investment related expenses to achieve the long-term objectives.

The Board has the power and authority to invest and reinvest the assets of the plan; to hold, purchase, sell, assign, transfer, and dispose of any securities and investment held in the Fund; and the power and authority to employ counseling or investment management services. The Board, the Pension Fund's investment manager(s), and the investment consultant shall comply with the following fiduciary standards:

A fiduciary shall discharge its duties with respect to the Plan solely in the interest of the participants and beneficiaries and -

- a. for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan;
- b. with the care, skill, prudence, and diligence under the circumstance then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aim;
- c. by diversifying the investments of the Plan so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

This Statement establishes a clear understanding between the Trustees of the Pension Fund and the Fund's investment consultant and managers regarding the policies and objectives of the plan. The statement outlines an overall philosophy resulting in specific guidelines and expectations for the Pension Fund's investment managers, with sufficient flexibility to allow for changing economic conditions.

Responsibilities

Board of Trustees: The Board of Trustees has the responsibility for administration of the Plan and management of the investment process. In fulfilling this responsibility, the Trustees will establish and maintain investment policies that set clear objectives and criteria for the selection and evaluation of the plan's investments. Within this framework, the Board of Trustees will select, monitor, and evaluate the investment consultant, investment manager(s), bank custodian, and other parties to ensure that actual results meet objectives. The Trustees shall participate in a continuing education program related to investments and the Board's responsibilities as set forth in this policy.

Investment Consultant: The investment consultant assists the Board of Trustees as they manage the investment process. This commitment includes periodic meetings with the Board of Trustees to provide perspective regarding the plan's goals, structure, and investment management team. The consultant will work with the Board of Trustees to develop and maintain a properly diversified portfolio. Furthermore, the consultant will review the asset allocation and performance to make recommendations to the Board as appropriate. The consultant will assist the Board with the selection of managers and notify the Trustees of material changes taking place that impact the investment process for any current manager.

Investment Managers: The investment manager is a named fiduciary of the Retirement System; the manager will construct and manage the investment portfolio consistent with the Statement of Investment Policy adopted by the Board of Trustees. The manager will select specific securities, buy and sell such securities, and modify the asset mix within the guidelines set forth in the Investment Policy. The Trustees believe that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion is delegated to the investment manager to implement the investment policy according to the stated guidelines. The manager will also use only acceptable investment vehicles as defined in this statement. With regard to allocating brokerage commissions, the manager must make every effort when trading securities to do so on a best execution basis.

Each investment manager shall provide any reasonable information requested by the Board of Trustees. At a minimum, each manager shall give to the Trustees a quarterly report detailing the performance of each investment fund, as well as any changes in philosophy, strategy, or management. The manager may be expected to meet with the Board periodically at the discretion of the Trustees to review performance of the investment options relative to the guidelines set forth in this Policy.

Custodian: The custodian(s) will hold and value all cash and securities and regularly summarize these holdings for the Trustees to review. In addition to the custodian, the Pension Fund will maintain an account with a bank or other depository to accept and hold cash prior to allocating such funds to the investment manager.

II. INVESTMENT OBJECTIVES

The Board will use the following performance measures as objective criteria for evaluating the effectiveness of the money managers and asset allocation:

A. Total Fund Performance

1. The performance of the total Fund will be measured for rolling three and five year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance of this portfolio will be compared to the return of a portfolio comprised 65% of the Standard & Poor's 500 Stock Index and 35% of the Barclay Aggregate Bond Index.
2. On an absolute basis, the total return of the combined equity, fixed income and cash portfolio will equal or exceed the long-term rate of return on investments assumed by the Board. Furthermore, the assets must provide sufficient investment return to meet the obligations of the plan. For each actuarial valuation, the Board will determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter.
3. On a relative basis, the total return of the combined equity, fixed income and cash portfolio will be in the top 40th percentile of an appropriate *balanced* universe over three to five-year periods.

B. Index Portfolios

The portion of the total portfolio allocated to an index fund or funds is designed to replicate the performance of the corresponding market index. Furthermore, the diversification of any such index portfolios shall be a function of the actual composition of the appropriate market index that the portfolio seeks to replicate.

C. Actively Managed Investment Funds

Investment managers retained by the Pension Fund shall be evaluated according to the following criteria:

1. Each Investment fund must show superior performance relative to the appropriate benchmarks for the trailing 3-year, 5-year periods, and/ or 10-year periods, if available.
2. Investment funds must also perform in the top third of the manager peer group, defined as the group of open-end funds classified according to similar asset class, investment objective, style of management, and security selection based on market capitalization or duration. The Trustees may accept choices with lower performance, when such performance is justified by lower risk.
3. Investment funds shall exhibit consistent investment performance. To show consistent performance, the total return of the fund in each of the past five years should not deviate substantially above or below the average return for the trailing 5-year period after accounting for broader market trends.

4. The manager for the investment fund shall have a track record of at least five years available for examination. Alternatively, investment funds may employ a team management approach.

5. Funds shall exhibit superior performance relative to the amount of risk, defined as exposure to volatility in the market, taken by the manager. As measures of risk-adjusted performance, funds should have a positive alpha (a measure of the difference between a fund's actual returns and its expected performance, given the level of risk measured by volatility relative to the benchmark).

The aforementioned criteria for selection and evaluation of investment funds are meant to serve only as a general guideline for the Pension Fund. The Board may deviate from the investment selection and evaluation criteria identified herein based on all of the available information as deemed in the best interests of the participants and beneficiaries.

III. ADDITIONAL CRITERIA FOR INVESTMENT MANAGER REVIEW

In addition to performance measures, the Board shall evaluate the investment managers according to the following standards. If a manager breaches any one of these standards, the Board shall automatically review their relationship with the manager.

- A. The investment portfolio has four consecutive quarters of total performance below the 50th percentile in performance rankings relative to managers with a similar style mandate.
- B. The investment portfolio exhibits a Standard deviation in excess of 120% relative to the appropriate benchmark.
- C. The investment company, manager, or management team experiences a loss of any senior investment personnel that impact the management of assets on behalf of the Pension Fund.
- D. The manager changes the basic investment philosophy for the investment portfolio or deviates substantially from the style mandate provided by the Board.
- E. The manager fails to observe the asset or quality restrictions contained in Section IV. The Board shall evaluate the composition of any commingled fund, index portfolio, or similar market instrument relative to the restrictions set forth in Section IV prior to investing.
- F. The manager fails to adequately and promptly disclose all sources of soft dollar revenue or other compensation if requested by the Board.
- G. The manager fails to act in the best interests of the participants and beneficiaries of the Pension Fund or any other investor for which the manager or investment company has discretionary authority over assets, regardless of the specific fiduciary obligation that the manager has to those other investors.
- H. A regulatory body or agency identifies or reports any other failure or breach of ethical standards by the manager.

Nothing in this section shall limit or diminish the right of the Board to terminate a manager at any time for any reason.

IV. INVESTMENT GUIDELINES

Liquidity: The Pension Fund's investment manager(s) shall be kept informed of the liquidity requirements of the plan. The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations of the plan as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

Custodian: The Board will retain a third party to custody the assets of the plan. All securities shall be designated as an asset of the Pension Fund. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or the Board's designee. Security transactions between a broker dealer and a custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the money or security in hand at the conclusion of the transaction.

Bid Requirement: When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected.

Risk and Diversification: The investments held by the Fund shall be diversified to the extent practical to reduce the risk of loss resulting from over-concentration of assets in either a specific maturity, issuer, or instrument, or a dealer or bank through which financial instruments are bought and sold.

A. Authorized Investments

All investments made or held in the fund shall be limited to:

1. Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Saving Insurance Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, bonds, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia, provided that the corporation is listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market.
4. Foreign securities.
5. Real estate through a security listed on one or more of the recognized national exchanges or other unit investment trust with shares redeemable on demand.
6. Commingled stock, bond, real estate or money market funds whose investments are restricted to securities meeting the above criteria.

B. Limitations

1. Investments in equities shall not exceed 70% of the Pension Fund's total assets at cost.
2. Not more than 5% of the Pension Fund's assets at cost shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of that company.
3. Not more than 5% of the Fund's fixed income portfolio (at cost) shall be invested in the securities of any single corporate issuer. *NOTE: This limitation does not include issues of any U.S. government agency.*
4. Foreign equity investments shall not exceed 20% of the Pension Fund's assets at cost.
5. Real estate holdings shall not exceed 10% of the Pension Fund's assets at cost.
6. Bonds or other evidences of indebtedness not rated in one of the four highest classifications by a major rating service shall not exceed 5% of the Pension Fund's total assets at cost.

C. Prohibited Investments

There will be no investment activity in the following instruments:

1. Short sales, margin purchases, or borrowing.
2. Private placement or other restricted securities (not freely marketable).
3. Commodities.
4. Puts, calls, straddles or hedging.
5. Warrants or other options, except as part of purchase of another security.
6. Tax-exempt bonds.
7. Repurchase Agreements.
8. Venture capital.
9. Illiquid investments, as described in Chapter 215.47, Florida Statutes.
10. Any investment prohibited by State or Federal Law.
11. Any investment not specifically allowed as part of this policy.

D. Brokerage Direction

The Board directs the investment managers to seek lower cost execution of all trades, defined as transaction costs that average 0.03 per share, provided that managers obtain the best possible execution of securities transactions at all times.

V. ASSET ALLOCATION

A. Target Allocation

The Board shall establish the target asset allocation for the Pension Fund as follows:

Asset Class	Benchmark	Target Allocation
Fixed Income	Templeton Global Bond Fund	17%
Fixed Income	Barclay Treasury Inflation Protected Securities Index	12%
Large Cap Growth	S&P 500/BARRA Growth Index	25%
Large Cap Value	S&P 500/BARRA Value Index	26%
Mid Cap Growth	S&P 400/BARRA Growth Index	4%
Mid Cap Value	S&P 400/BARRA Value Index	1%
Small Cap Growth	Russell 2000 Growth Index	1%
Real Estate	Dow Jones US Real Estate Index	5%
International	MSCI EAFE Index	9%
TOTAL ALLOCATION:		100%

B. Rebalancing Procedure

The Pension Fund shall rebalance assets back to the target allocation based on the current market value annually at the beginning of each fiscal year.

VI. COMMUNICATIONS

A. On a monthly basis, the custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets. On a quarterly basis, the manager shall provide a written report affirming compliance with the security restrictions noted in Section IV, along with a summary of common stock diversification and attendant schedules. In addition, the manager shall deliver each quarter a report detailing the Fund's performance, adherence to the investment policy, forecast of the market and economy, portfolio analysis and current assets of the Trust. Written reports shall be delivered to the Trustees within 60 days of the end of the quarter. The Investment Manager will provide immediate written and telephone notice to the Trustees of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section III above.

B. The investment manager shall immediately notify the Board of Trustees in writing of any event or regulatory issue described in Section III.

C. The investment manager will disclose any securities that do not comply with Section IV in each quarterly report.

D. If the Fund owns securities which complied with Section IV at time of purchase, but are subsequently down graded while held, the manager will dispose of such securities when it is economically feasible.

E. The Trustees shall retain a monitoring service to evaluate and report on a quarterly basis the rate of return and relative performance of the Fund.

F. The Trustees will meet quarterly with the monitoring service's representative to review the Performance Report. The Trustees will meet with the investment manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Fund on a quarterly basis.

G. The equity manager shall report to the Trustees on an annual basis with respect to proxies, the issues, votes and dates, and if not voted, a written explanation.

VII. COMPLIANCE

A. The Fund shall be governed by a set of written internal controls and operational procedures, which shall be periodically reviewed by the Fund's certified public accountant (CPA). At the time of every financial audit, the CPA shall review the controls that should be designed to prevent loss of funds that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board, employees of the Town of Lake Park, or service providers to the Pension Fund.

B. The Fund acknowledges the importance of continuing education for the Trustees. Education will be provided on an ongoing basis by the Fund's actuary, attorney, custodian, investment manager(s), consultant, and administrator. Trustees are also encouraged to attend educational conferences relating to investments and the Trustee's responsibilities to the fund.

VIII. FLORIDA STATUTES AND APPLICABLE TOWN ORDINANCES

If, at any time, this document is found to be in conflict with Florida Statutes or the applicable Town Ordinances, the Statutes and Ordinances shall prevail.

IX. REVIEW AND AMENDMENTS

It is the Trustees intention to review this document periodically and to amend this statement to reflect any changes in philosophy, objectives or guidelines. In this regard, the money manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If at any time any portfolio manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Trustees should be notified in writing. By initial and continuing acceptance of this Investment Policy Statement, the money manager concurs with the provisions of this document.

Once the Board has adopted the investment policy, the investment policy shall be promptly filed with the Department of Management Services, the plan sponsor, and the consulting actuary.

The effective date of the Investment Policy Statement and any amendment thereto, shall be the 31st calendar day following the filing date with the plan sponsor.

Adopted this 15th day of November, 2005 and updated this 9th day of July, 2012.

Board of Trustees:


(Chairperson)


(Secretary)